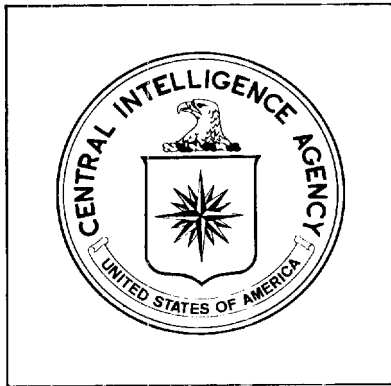


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STAFF NOTES:

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Inconclusive Outcome to Finland's Elections

Finland's national election held earlier this week failed to provide a clear mandate for dealing with the country's mounting economic problems.

The long-dominant Social Democrats, who headed the outgoing coalition, lost only two seats and remain the plurality party in the 200-seat parliament. Their non-socialist partners in the old government, however, gained at the expense of several splinter groups and will outnumber the Social Democrats 58 seats to 54.

This shift in balance is expected to result in the non-socialist parties led by the farmer-oriented Center Party to demand the right to name the next prime minister. The Social Democrats, on the other hand, reportedly will refuse to reconstitute the old coalition unless they nominate the prime minister.

Haggling over economic correctives--inflation is running at 18 percent and the trade deficit may reach \$2 billion this year--will be even more tortuous, and negotiations for a new government may take weeks, if not months. Although many Finnish politicians would like to have a solid majority coalition that might be able to deal effectively with the country's problems, one likely alternative may be a minority centrist coalition relying

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on all other non-socialist parties to achieve majorities. At this point, participation in a coalition by the parties on the extreme left and the right--the Communist-dominated SKDL and the Conservatives--is not in the cards.

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Renewed French Interest in Regionalism

France is experiencing a round of renewed interest in regional reform, triggered in part by the recent actions of Corsican autonomists who claim the central government lacks interest in the island's specific problems. A sense of frustration bred by France's continuing economic troubles and concern that regional interests will be ignored as the government moves to get the economy back on its feet have also contributed to the increased desire for local authority.

Opinion polls show that French citizens favor increased regional power by about a two-to-one ratio. The editor of the newsweekly L'Express, who is a strong advocate of regionalism, claims there is strong grassroots sentiment in favor of devising means--including violence--to compel the central government in Paris to give up some control of policy planning and implementation.

The controversy could prove personally embarrassing for the president, who advocated decentralization during his campaign last year. Surveys show a mixed view of Giscard's responsibility, with one poll saying that half of those questioned believe Giscard has done nothing, but another ranking him high on a list of officials considered committed to increased regional autonomy.

The Communists have called for a vote of confidence if the government refuses to deal with the issue, but it is likely to fail, largely because advocates of regionalism cannot agree on what should be done. The Communists and Socialists want local financial autonomy but the Communists are dead set against weakening other centralized controls. The

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Socialists, on the other hand, advocate regional assemblies with a decisive voice in determining urban policy. Giscard's supporters are also split between supporters and opponents of regionalism.

The opinion polls show that the citizens favor giving local officials the power to negotiate with industries and the unions on plant location, supervision of workers, hiring and layoffs, and labor organization.

The government will probably eventually have to relax some controls, if only to spread the responsibility for dealing with the nation's economic troubles, but centralization of power in Paris is certain to remain the basis of the French system of government. Mayors of large cities who are finding that their strained financial circumstances are inadequate to cope with increasing demands for local services will see that the issue remains in the headlines. They will be joined by advocates of autonomy in Corsica, Brittany, and the Basque areas.

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East and West Clash Over NATO Maneuvers

The Soviets and the East Europeans are sharply criticizing NATO's Autumn exercises, asserting that they violate the spirit of the Helsinki conference.

An article in Red Star on Sunday contends that the exercises are especially bad because their principal aim is to block the progress of detente by reviving fear of a Soviet threat. The East Europeans accused NATO of increasing the size and the frequency of maneuvers.

The NATO maneuvers are the first in Europe to come under the provisions of the Helsinki agreement. Under that agreement, NATO and Warsaw Pact countries are to provide--on a voluntary basis--advance notification of certain maneuvers and to invite observers from the other signatories. The NATO countries have made such notification and have sent out invitations to the Warsaw Pact countries.

The Soviets, apparently hoping to avoid any implication that a precedent was being set, have reportedly advised the Warsaw Pact countries that they should neither acknowledge receipt of notification of maneuvers nor send observers to them.

Moscow may believe that the presence of Warsaw Pact observers would weaken its argument that the NATO exercises are inconsistent with detente.

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The independent-minded Romanians are, however, likely to ignore Moscow's advice. Indeed, a Romanian diplomat in Moscow recently told a US embassy official that Bucharest had already acknowledged the notification notes, and he indicated that his government will probably break ranks with its Pact allies by sending observers. Bucharest's reported decision is consistent with its strong stand at the European security talks on the need for prior notification.

The Western press claims that the Warsaw Pact nations have violated the Helsinki agreement, but NATO as yet has found no concrete evidence of attempts to circumvent the voluntary guidelines notification.

NATO representatives are surprised and distressed by the recent Soviet and East European press campaign to discredit NATO's notification of its fall exercises under the provisions of the European security conference agreement. The Allies have been providing detailed information regarding their fall maneuvers. The NATO strategy has been to build a record of strict compliance against which Soviet performance can be measured. Continued Soviet statements attacking the maneuvers as violations of the spirit of Helsinki may force the allies to reassess their strategy.

In Brussels, NATO representatives are working on a rebuttal which Secretary Luns may present today when he addresses the North Atlantic Assembly in Copenhagen. The statement would emphasize that all maneuvers on which prior notification has been given were scheduled before the conclusion of the security conference and that the number, size and frequency of NATO maneuvers has not increased this year as compared to previous years.

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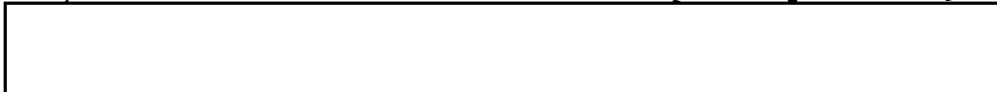
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Allied representatives--spurred in part by the dispute over notification--agreed last week to use NATO as a forum for multilateral consultations on follow-up measures to the security conference. Although most of the discussion within NATO has centered on the notification issue, NATO will insist on compliance by the Warsaw Pact in other areas of the security agreement.

Despite strong French objections, the EC last week established an ad hoc group to monitor Warsaw Pact compliance. The West Germans were the moving force behind the creation of this group which is charged with developing Community positions on CSCE, and coordinating general EC approaches to the Warsaw Pact. The EC and NATO will work together to prepare the Western position for the follow-up meeting in Belgrade in 1977.

Austria, reflecting the concerns of the neutral states, has suggested using the 18-member Council of Europe based in Strasbourg to coordinate West European positions on some aspects of CSCE implementation. The Strasbourg council would serve as a bridge between the EC Nine and other West European states.

The UN's Economic Commission for Europe is also moving quickly to involve itself in the economic, scientific and environmental aspects of the CSCE follow-up. Any specific action, however, must first be approved by the 33 member governments at their March 1976 plenary meeting.



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